

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-06 NEA-10 ISO-00 CIAE-00

COME-00 DODE-00 DOTE-00 FMC-01 INR-07 NSAE-00 CG-00

OFA-01 DLOS-03 FEA-01 OES-03 AID-05 FRB-03 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 PA-01 PRS-01 /082 W
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R 161604Z MAY 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9314

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY ABU DHABI

AMEMBASSY TRIPOLI

AMEMBASSY ALGIERS

AMEMBASSY DOHA

AMEMBASSY CARACAS

AMEMBASSY QUITO

AMEMBASSY JAKARTA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

C O N F I D E N T I A L LAGOS 4560

E.O.: 11652: N/A

TAGS:

SUBJ: OIL PRODUCERS TANKER FLEET DEVELOPMENT

REF: STATE A-1542, A-2052, 095548

1. SUMMARY. THERE ARE NO NIGERIAN FLAG TANKERS AT PRESENT, BUT
FEDERAL MILITARY GOVERNMENT INTENDS ACQUIRE 1.75 MILLION DWT OF
PETROLEUM TANKERS AND SEVERAL LNG CARRIERS BY 1980 LARGELY FOR
NATIONALISTIC AND PERCEIVED ECONOMIC REASONS, RATHER THAN AS PART
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OF ANY GENERAL STRATEGY OF OPEC NATIONS. CHANCES ARE THAT FMG

WILL FALL SHORT OF ITS GOALS BECAUSE TANKER BUSINESS IS DEPRESSED AND BECAUSE GOVERNMENT INVESTMENT IN THIS AREA WILL HAVE TO COMPETE WITH OTHER PRIORITY PROJECTS. END SUMMARY.

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2. RECENTLY PUBLISHED THIRD NATIONAL DEVELOPMENT PLAN (1975-80) EARMARKS \$380 MILLION OVER THE FIVE YEARS FOR A TANKER FLEET WHICH "WILL BE COMPOSED OF A MIXTURE OF 250,000 TON VLCCSIR2 AND LRI TANKERS OF BETWEEN 80,000-150,000 TONS EACH AND ONE OR TWO SMALL TANKERS OF JUST UNDER 50,000 TONS, MAKING A TOTAL OF ABOUT 1,750,000 TONS." PORTION OF PLAN APPARENTLY DRAFTED BY MINISTRY OF MINES AND POWER SAYS A GOVERNMENT-OWNED TANKER SUBSIDIARY IS PLANNED WHICH WILL "CARRY ABOUT 20 PERCENT OF THE PRODUCTION DURING THE PLAN PERIOD." THIS COMPANY (THE IDENTITY OF WHICH IS UNCLEAR) MAY OBTAIN "VESSELS ON LONG-TERM CHARTER WHILE ORDERS ARE PLACED FOR COMPANY-OWNED VESSELS" AND "MAY FOR THE FIRST FOUR YEARS OF THE PLAN OPERATE VESSELS ACQUIRED ON LONG-TERM CHARTERS POSSIBLY WITH AN OPTION TO BUY." PORTION APPARENTLY DRAFTED BY MINISTRY OF TRANSPORT SAYS FMG "WILL INITIATE ACTION TO FACILITATE NIGERIAN PARTICIPATION IN THE OPERATION OF TANKER SHIPPING SUCH THAT A REASONABLE PROPORTION OF NIGERIAN CRUDE "IS CARRIED IN NIGERIAN OWNED VESSELS." THIS PORTION FORESEES LOW RATES OF RETURN FROM TANKER OPERATIONS THROUGH 1980, BUT CONCLUDES THAT IT IS DESIRABLE TO MAKE AN EARLY START SO AS TO BUILD UP TECHNICAL AND MANAGERIAL CAPABILITY OVER A PERIOD OF TIME.

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3. FOREGOING REPORTS ALL THAT CAN BE LEARNED ABOUT TANKERS FROM THE DEVELOPMENT PLAN AND CAN BE USED TO UP-DATE TABLES IN CIA STUDY ATTACHED REPAIR. PLAN MAKES NO SPECIFIC MENTION OF LNG CARRIERS, BUT THE TWO ON-MILLION CUBIC FEET PER DAY CAPACITY LNG PROJECTS INCLUDED IN THE PLAN FOR COMPLETION BY 1980 WOULD REQUIRE AT LEAST 1.5 MILLION METERS OF NEW SHIPPING CAPACITY, AND FMG HAS PUBLICLY ANNOUNCED THAT IT WILL HAVE 50 PERCENT OF THE LNG FLEET.

4. NIGERIA HAS OR SHOULD HAVE THE FINANCIAL RESOURCES TO MEET
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THESE GOALS IF RPT IF FMG SO DECIDES, BUT THEY WILL HAVE TO COMPETE FOR RESOURCES AND LIMITED GOVERNMENT MANPOWER WITH OTHER PRIORITY PROJECTS, AND IT IS BY NO MEANS CERTAIN, ESPECIALLY BECAUSE TANKER FLEET NOT LIKELY TO BE PROFITABLE, THAT THEY WILL IN FACT BE ACCOMPLISHED BY 1980.

5. REASONS FMG PROBABLY HAS FOR WANTING TANKER AND LNG FLEETS ARE, IN ROUGH ORDER OF IMPORTANCE, (1) FURTHER CONSOLIDATION OF

ECONOMIC INDEPENDENCE AS PERCEIVED BY FMG, (2) FACE-SAVING IF OTHER OPEC NATIONS ARE ACQUIRING FLEETS, (3) NATIONAL PRESTIGE TO FLY OWN FLAG, (4) CORRECT OR INCORRECT BELIEF THAT THE BUSINESS WOULD BE PROFITABLE, (5) BELIEF THAT FMG COULD THEN EXERCISE MORE CONTROL OVER MARKETING AND PRICES, AND (6) COOPERATION WITH OPEC STRATEGY OR INTEGRATING AND CONTROLLING ALL OIL OPERATIONS.

6. FMG HAS TO DATE RECEIVED MANY PROPOSALS FROM OIL AND SHIPPING COMPANIES FOR JOINT VENTURE AND OTHER DEALS WHICH WOULD CREATE NIGERIAN FLAG TANKERS. MOST SUCH PROPOSALS HAVE PROBABLY INVOLVED CRUDE OIL SALES AND HAVE THEREFORE BEEN DIFFICULT FOR THE FMG TO EVALUATE. IN ANY EVENT, NO SUCH DEAL IS CURRENTLY IN THE WORKS SO FAR AS EMBASSY AWARE. IF AND WHEN NIGERIA DOES ACQUIRE OWN TANKERS, THEY WILL BE HEAVILY DEPENDENT, AT LEAST INITIALLY, ON FOREIGN EXPERTISE, INCLUDING REPAIR FACILITIES AND CREWS OF NATIONAL SHIPPING LINE, CREATED IN 1958, STILL REQUIRES SOME EXPATRIATE OFFICERS.

7. APART FROM ALL THAT HAS BEEN SAID, NIGERIA COULD ACQUIRE OWN TANKERS ALMOST OVERNIGHT BY MAKING DEAL WITH B.P. (AND SHELL?) WHICH OPERATES SEVERAL SMALL TANKERS FOR DELIVERY OF PETROLEUM PRODUCTS FROM REFINERY IN PORT HARCOUT TO LAGOS AND OTHER NIGERIAN PORTS. THIS FLEET WILL HAVE TO BE EXPENDED BY 1978 WHEN THE SECOND NIGERIAN REFINERY GOES ON STREAM IN WARRI, AND THAT WOULD ALSO PROVIDE AN OCCASION TO ACQUIRE NIGERIAN FLAG TANKERS.

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